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MONTHLY REVIEW

AN INDEPENDENT SOCIALIST MAGAZINE

VOL. 46
1

TWO ARTICLES ON MEXICO:

I. An Unfinished Revolution

Bernard Rosen

II. A Tourist Guide To Chiapas

Sub-commander Marcos

WHY SOCIALISM?

Albert Einstein

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nic reform in China and
Eastern Europe, Paul Burkett on
Greenspan and out-of-control
money, and more.

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NOTES FROM THE EDITORS

We sit down to write these notes at a time when the stock market is in a dive and the usual questions are being asked. Why? Is this "it," meaning is this the beginning of a new economic collapse like that of 1929? The "why" question is easy to answer, at least in a general way. All financial markets in this day and age are speculative, some more than others, the stock market being on the more side. Speculators—and there are billions of dollars worth of them out there—bet that prices are going to go up, and some of them are so convinced that they borrow money to raise their stakes, pledging the shares they buy as collateral for their loans. Then if they turn out to be wrong, if prices go down not up and the value of the collateral is in danger of shrinking below the amount of their loans, they may find themselves suddenly forced to sell. In this way selling pressure is added to what had already started the downward price movement. Thus can a relatively small decline be turned into a much bigger one.

This is, according to Louis Uchitelle, the chief economics reporter of the *New York Times*, what has been happening on a large scale in the present case. Since no one knows how much borrowed money is involved or how many big speculators are in how much trouble, there's no way of

(Continued on inside back cover.)

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TWO ARTICLES ON MEXICO

I. AN UNFINISHED REVOLUTION

by BERNARD ROSEN

The Chiapas peasant rebellion brings into sharp focus the social crisis that exists in Mexico today. Hence, a paramount question arises: What next for Mexico?

Concerned as socialists are with the problems and needs of the Mexican masses, a brief summation of Mexico's social-economic development during this century should lead to a meaningful answer to the question.

When revolution swept across Mexico in 1910-1920, hope ran high among the Mexican masses. This is understandable, for the upper classes (including foreign capitalist interests), and their political, military, and clerical servitors, had systematically exploited, degraded, and humiliated the masses of that land.

By all accounts, the revolution was a volcanic social eruption of all the pent-up fury of peasants, landless laborers on the land, urban workers, petty-bourgeoisie, intellectuals, and students who hungered for justice, liberty, land, and bread. So violent was "The Wind That Swept Mexico," to use the highly descriptive title of Anita Brenner's excellent classic account of the revolution, so marked a "tangle of crimes, tears, blood, pain, and desolation," to use the apt words of Mariano

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Bernard Rosen is the former Latin-American editor of *La Luz*. He is Associate Professor Emeritus of Sociology at Metropolitan State College of Denver, Colorado. Currently he is living in Palo Alto, California. We expect to have an extensive analysis of contemporary events in Mexico in an upcoming issue.

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Azuela, novelist of the revolution, was the upheaval, that one million of Mexico's then twelve million population perished in its wake.

Mexico emerged from revolution in an exhausted and semi-chaotic state but, nonetheless, dominated by the national bourgeoisie. This class was characterized by the contemptible timidity and pusillanimity so typical of the bourgeoisie in underdeveloped countries in the twentieth century. The tremendous elemental upsurge and exaltation of the popular masses to take a strong stand against Porfirian reaction impelled this class forward. However, the political and moral unreadiness of the masses to seize power made it possible for the bourgeoisie to assume effective control of the country.

Still close to the mass drives and impulses of the revolution, still unsure of itself and governing in a period of uncertainty and chaos, with strong counterrevolutionary forces articulating themselves throughout the country, the early revolutionary governments carried through some progressive economic, social, and political reforms. The Obregon and Calles administrations based themselves on the constitution of 1917, the most advanced constitution in the bourgeois world at the time, and distributed land to landless peasants, created land banks to help the latter, put progressive labor legislation on the statute books, rigorously separated church and state, fostered industrial expansion, initiated irrigation and sanitation projects, began to construct a national system of highways, and fostered an ambitious program of public school expansion. For a while, Calles adopted an anti-imperialist stance and even threatened to expropriate the foreign oil companies.

An outstanding achievement of the Calles administration, and which consolidated bourgeois rule, was the founding of the *Partido Nacional Revolucionario* (changed to *Partido de la Revolución Mexicana* in 1938 and *Partido Revolucionario Institucional* in 1946). This party, which was (and is) controlled by the national bourgeoisie, successfully integrated within its

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fold labor and peasant leaders, "revolutionary" generals, and politicians.

The Calles of the later years of his administration and his hand-picked successors until 1934 were conservative politicians for whom the revolution was completed. Thus land reform came to a halt and anti-imperialism ceased. They were more interested in solidifying the economic power of the national bourgeoisie and expanding its privileges and wealth than living up to the ideals of land, liberty, and bread enshrined in the rhetoric of the revolution.

It was during the great depression of the 1930s that the original impulses of the revolution came forward with renewed vigor to cope with Mexico's depression-generated problems and the country's strongly disaffected masses. The government felt it needed to stimulate the economy and expand the internal market. Thus in the person of President Lazaro Cardenas, who represented and acted on behalf of the more "radical" and nationalistic layers of the Mexican bourgeoisie and petty bourgeoisie, the government distributed more lands than ever before, supported the strivings of the working class for higher wages and improved working conditions, and, assuming a strong anti-imperialist position, expropriated the foreign oil companies.

Despite its "left" turn, the Cardenas government remained a bourgeois government that, probably more than any of the earlier post-revolutionary governments, consolidated capitalist rule in Mexico and laid the foundation for the large scale growth of the subsequent half century. Reduced to the human leadership plane, it was as Carlos Fuentes' character, Cienfuegos, affirms in the novel *Where the Air is Clear:* "Mexican capitalism is indebted to two men: Calles and Cardenas." Thus, while Calles laid the foundation, "Cardenas brought it to life by creating the possibility of a large internal market. He raised wages, gave labor every conceivable guarantee," and established "once and for all the policy of federal investment in public works; he broadened credit, broke up land holdings, and on all levels tried to stimulate a vast circulation of stagnant

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wealth." Moreover, Cardenas "ended Mexican feudalism. Mexico might become anything, but never again a kingdom of great absentee landlord estates ruled by a perfectly useless agrarian plutocracy."

Since the 1940s, the Mexican bourgeoisie has dedicated itself relentlessly and greedily, and before anything else, to capital accumulation and profit seeking. It has grown increasingly conservative and has discarded the last vestiges of revolutionary élan that remained to it from the revolutionary years. Such is reflected also in its accommodation to, and symbiotic relationship with, American finance-industrial capitalism, the other great social force leading to the degradation of the life of Mexico's masses.

A comparison of the years 1910-1940 and 1940-up to the present shows how American economic imperialism during the last-mentioned years is becoming an increasingly dominant force in Mexican economic life. The years 1910-1940 actually witnessed a decline in foreign investment and control in Mexico. This was the result of several factors. For one, a strong, nationalist climate that favored national economic development and independence existed in the country. This led to legislation that impeded investment from abroad. Secondly, foreign investors hesitated to invest in a country in which political conditions were still far from secure, even in those instances where the Mexican government allowed them to do so. Thirdly, the Great Depression of the thirties dried up the availability of foreign capital for investment in the underdeveloped world. Thereafter, the Second World War and its aftermath witnessed a change of attitude and policy in both the United States and Mexico with regard to foreign investment in Mexico. For one, the depression was over in the United States, with capitalist enterprise once again looking for outlets for investment abroad. Secondly, bourgeois society became more stable in Mexico, with a conservative bourgeoisie moving away from the "radical" phase of the revolution. This new bourgeoisie welcomed foreign investment as a

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means to stimulate production further and, thereby, to raise its profit levels still more.

The post-1940 Mexican bourgeoisie saw its source of enrichment in the expansion of the internal consuming market, *especially among* the growing middle and upper classes. Lacking, however, the accumulated capital to expand the market, the national bourgeoisie looked with favor upon foreign investors with the available capital and technical know-how to do the job for them. Thus, foreign investors, mainly American, today control anywhere from 60 to 85 percent of such industries as auto making, chemicals, and electrical machinery production. Indeed, foreign investments control at least one quarter of the largest corporate enterprises in Mexico today.

The pace of foreign acquisitions of Mexican enterprises has increased dramatically with the privatization of state-owned firms, particularly during the administrations of the last two presidents, de la Madrid and Salinas. Under their privatization programs between 1982-1992, state-owned firms declined in number from 1,555 to 217, with many of the privatized firms bought by foreign investors. Indeed, foreign investments in Mexico rose from $10 billion in 1980 to just over $50 billion in 1992. (See *The Mexican Economy, 1993*, Banco de Mexico, June 1993.) The Salinas push to privatization extends to agriculture too. Legislation allows peasants in the collective *ejidos* to sell their land to private investors. Such large-scale U.S. grain corporations as Ralston-Purina have acquired large holdings on the land with the consequence that large numbers of peasants are driven off the land and into the vast pool of the unemployed and underemployed in the cities.

There are those who, taken in by superficial appearances, maintain that the Mexican economy is free of foreign control. Is not foreign investment in Mexico only a part of all of the total investment in Mexican enterprise? Is it not true that the Mexican government itself owns scores of corporations that produce such basis commodities as oil and agricul-

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tural fertilizers, as well as scores of other products that enter into the workings of a modern capitalist economy? Such thinking ignores the fact that the foreign corporations (General Motors is, for example, the largest private sector employer in Mexico), due to their control of decisive sectors of the Mexican economy, make sure that the technology they introduce can only perform on parts imported from abroad. In addition, they set pricing policies favorable to themselves. Moreover, by means of numerous visible and invisible bonds, the multinationals succeed in tying to themselves the mainsprings of the Mexican economy. These multinationals bind the Mexican economy by controlling the financial institutions upon which countless Mexican enterprises depend for loans and credit; by implementing patent controls; and not least of all, by establishing world-wide domination of purchasing and buying outlets. Thus, the *actual* domination of Mexican economic life by the multinationals is far greater than is indicated by the statistics showing that foreign interests control only a part of the investment in the country. And what of the $100 billion state debt of Mexico to foreign banks, primarily American? Does this not tie Mexico to American imperialism?

The social costs for the masses of bourgeois-imperialist domination of Mexico are truly massive. Unemployment and underemployment effects 50 percent of the people of Mexico; over 60 percent of the population receives only 15 percent of the national income; two million heads of rural families have no land of their own; 75 percent of Mexico's peasants work less than a hundred days a year; 40 percent of the population is illiterate or at best, semi-literate; there is a lack of sewage facilities in rural as well as urban areas; and there are gross inadequacies or non-existence of social services for the masses in health, education, and housing.

The Mexican bourgeoisie is unwilling and unable to mobilize the people and lead it in a struggle for economic independence. It is reluctant for two reasons. For one, it fears to set the urban and rural masses in motion against foreign imperialism, knowing full well that such mass movements

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have a logic and rhythm of their own and often generate powerful tendencies that can strike against the native ruling class too. Secondly, the bourgeoisie recognizes that it needs the constant economic and political support of powerful capitalist America to prevent its own rule from deteriorating in the highly unstable, political world of Latin America, with its ever-present potential for revolution and social upheaval. Hence, one reason for Mexico's strong support of NAFTA. Hence, it is that the "nationalist" aspirations of the Mexican bourgeoisie do not go beyond verbal expressions of patriotic fervor and national exaltation on festive occasions with the likes of president Salinas bouncing on the balcony of the National Palace and shouting "*Viva Mexico*" on Independence Day.

Apparently, only a new alignment of political forces in Mexico, finding, at the same time, mass support and sympathy in the United States, will be able to carry the struggle forward for economic independence, and, once and for all, free the country from the stranglehold of the multinational corporations.

The revolution of 1910-1920 has served the Mexican bourgeoisie well but not so well the vast masses of the people. For the latter it is an unfinished revolution. Acting out the dialectic of permanent revolution, the working class and other oppressed layers of the population must go beyond 1910-1920 and overthrow the Mexican bourgeoisie. There is no other solution for the Mexican masses.

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II. A TOURIST GUIDE TO CHIAPAS

by SUB-COMMANDER MARCOS

Dear Sirs:

Now that the Chiapas conflict has brought us into the national consciousness, many and very varied authors have dusted off their little Illustrated Larouse, *their* Unknown Mexico, *their disks containing statistics from the INEGI and Fonapo, and even classic texts dating back to Bartolomé de las Casas. With the hope of quenching this thirst for knowledge about the situation in Chiapas, we send you an essay that our partner and sub-commander Marcos completed in mid-1992 to awaken the conscience of various brothers who have since then joined our struggle.*

We hope that this material finds a place in one of the sections or supplements of your prestigious paper. The authors rights belong to the insurgents, who will feel sufficiently rewarded by seeing something of their history circulated on a national level. Perhaps other brothers will feel inspired to write about their situations and locations, hoping that other prophecies, like that of the people of Chiapas, are also fulfilled.—The Press and Advertising Department, National Zapatista Liberation Army

Chiapas: The Southeast in Two Winds, a Storm and a Prophecy

First Wind: The One From Above. Let them tell about how the supreme government was touched by the misery of the indigenous people of Chiapas and endowed the area with hotels, prisons, barracks, and a military airport. And let them also tell about the beast that feeds off of the blood of the people and other wretched and unfortunate successes.

Let us suppose that you live in the North, Center, or West of the country. Let us suppose that you give mind to the old

This letter and essay were sent to the Mexican journal *La Jornada.* We reprint both form *Viva Zapata! The EZLN in Their Own Words,* published by the Zapatista Solidarity Committee. For copies of the full collection of communiques contact the committee by phone at (212) 642-5412 or by Electronic Mail at toodp@blythe.org.

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Secotur (Ministry of Tourism) phrase "Get to know Mexico first." Let's suppose that you decide to visit the southeast of your country and that of the southeast you choose the state of Chiapas. Let's suppose that you drive (getting there by air is not only expensive but unlikely, a mere fantasy; there are only two "civil" airports and one military one). Let's suppose that you pay no mind to the army barracks located at Matías Romero and that you continue on to Ventosa. Let's suppose that you don't notice the Ministry of Government's immigration checkpoint near there (and that makes you think that you are leaving one country and entering another). Let's suppose that you decide to take a left and head towards Chiapas. Several kilometers beyond you will leave the state of Oaxaca and you will see a big sign that reads, "WELCOME TO CHIAPAS." Did you find it? Good, let's suppose you did. You entered on one of the three existing roads in Chiapas: one in the northern part of the state, one along the Pacific coast, and the one you came on are the three ways to get to this southeastern corner from the rest of the country by road. But the state's natural wealth doesn't only leave by way of these three roads. Chiapas loses blood through many veins: through oil and gas ducts, electric lines, train cars, bank accounts, trucks and vans, boats and planes, through clandestine paths, gaps, and forest trails. This land continues paying tribute to the imperialists: petroleum, electric energy, cattle, money, coffee, banana, honey, corn, cacao, tobacco, sugar, soy, melon, sorghum, mamey, mango, tamarind, avocado, and Chiapan blood flows as a result of the thousand some teeth sunk into the throat of southeastern Mexico. Primary materials, thousands of millions which flow to Mexican ports, and railroad, air and truck transportation centers headed towards different parts of the world: The United States, Canada, Holland, Germany, Italy, Japan; but with the same fate: imperialism. The fee that capitalism imposes on the southeastern part of this country oozes, as it has since from the beginning, blood and mud.

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A handful of businesses, one of which is the state of Mexico, take all the wealth out of Chiapas leaving behind in exchange their mortal and pestilent track: in 1989 the financial tooth obtained a filling of 1,222,669,000,000 pesos and only left behind 616,340,000,000 in credits and works. More than 600,000,000,000 pesos went to the stomach of the beast.

In Chiapas, Pemex has eighty-six teeth clenched in the municipalities, of Estación Juárez, Reforma, Ostuacán, Pichucalco, and Ocosingo. Every day they suck 92,000 barrels of petroleum and 516.7,000,000,000 cubic feet of gas. They take the petroleum and gas away and leave the stamp of capitalism as change: ecological destruction, agricultural scraps, hyperinflation, alcoholism, prostitution, and poverty. The beast is not satisfied and extends its tentacles to the Lacandon Forest: eight petroleum deposits are under exploration. The paths are made with machetes by the same peasants who were left without land by the insatiable beast. The trees fall and dynamite explodes on land where peasants are not allowed to cut down trees to cultivate the land. Every tree that is cut down costs them a fine of ten minimum wages and a jail sentence. The poor cannot cut down trees while the petroleum beast, every day more in foreign hands, can. The peasant cuts them to survive, the beast to plunder.

Chiapas also bleeds coffee. Thirty-five percent of the coffee produced in Mexico comes from the area. The industry employs 87,000 people. Forty-seven percent is for national consumption and 53 percent is exported abroad, principally to the United States and Europe. More than 100,000 tons of coffee leave the state to fatten the beast's bank accounts: in 1988 a kilo of pergamino coffee was sold abroad for 8,000 pesos. The Chiapan producers were paid 2,500 or less.

The second most important export after coffee is beef. Three million head of cattle wait for coyotes and a small group of people who do the introductions to go and fill refrigerators in Arriaga, Villahermosa, and the Federal District. The cattle are sold for 400 pesos per kilo by the poor farmers and resold

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by the coyotes and introducers for up to 10 times the price they paid for them.

The tribute that capitalism demands from Chiapas has no historical parallel. Fifty-five percent of national hydro-electric energy comes from this state along with 20 percent of Mexico's total electrical energy. However, only one third of the homes in Chiapas have electricity. Where do the 12,907 kilowatts produced annually by hydroelectric plants in Chiapas go?

In spite of the trend of ecological awareness, the extraction of wood continues in Chiapas' forests. Between 1981 and 1989 2,444,777 cubic meters of precious woods, conifers, and tropical tree types were taken out of Chiapas destined for the Federal District, Puebla, Veracruz, and Quintana Roo. In 1988 wood exports brought a revenue of 23,900,000,000 pesos, 6,000 percent more than in 1980.

Honey which is produced in 79,000 beehives in Chiapas goes entirely to U.S. and European markets. Some 2,756 tons of honey produced annually in the Chiapan countryside is converted into dollars which the people of Chiapas never see.

Of the corn produced in Chiapas more than half goes to the domestic market. Chiapas is one of the biggest producers in the country. Sorghum grown in Chiapas goes to Tabasco. Ninety percent of the tamarind goes to the Federal District and other states. Two-thirds of the avocados produced are sold outside of the state and all of the mamey. Sixty-nine percent of the cacao goes to the national market and 31 percent is exported to the United States, Holland, Japan, and Italy. The majority of the bananas produced are exported.

What does the beast leave behind in exchange for all it takes away?

Chiapas has a total area of 75,634.4 square kilometers, some 7.5 million hectares. It is the eight largest state and is divided into 111 municipalities organized for looting purposes into nine economic regions. Forty percent of the nation's plant varieties, 36 percent of its mammals, 34 percent of its reptiles and amphibians, 66 percent of the bird species,

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20 percent of the sweet-water fish, and 80 percent of the butterfly species are found in Chiapas. Seven percent of the total national rainfall falls in Chiapas. But its greatest wealth is the 35 million people of Chiapas, of whom two-thirds live and die in rural communities. Half of them don't have potable water and two-thirds have no sewage. Ninety percent of the rural population pays minimum or no taxes.

Communication is a grotesque joke for a state which produces petroleum, electric energy, coffee, wood, and cattle for the hungry beast. Only two-thirds of municipality capitals have paved-road access. Twelve-thousand communities have no other means of transport and communication than mountain trails. Since the days of Porfirio Diaz, the railroad lines have serviced capitalism rather than the people. The railroad line that follows the coast (there are only two lines: the other crosses the northern part of the state) dates back to the turn of the century and its tonnage is limited by the old bridges which cross the canyons of the southeast. The only Chiapan port, Puerto Madero, is just one more way for the beast to extract the state's resources.

Education. The worst in the country. At the elementary school level, of every hundred children, seventy-two don't finish the first grade. More than half of the schools only offer up to third grade and half only have one teacher for all the courses offered. There are very high numbers, though these are of course kept secret, of indigenous children who are forced to drop out of school due to their families' need to incorporate them into the system of exploitation.

In any indigenous community it is common to see children carrying corn and wood, cooking, or washing clothes during school hours. Of the 16,058 classrooms in 1989, only ninety-six were in indigenous zones.

Look: 40 percent of Chiapan "industry" consists of tortilla, tortilla corn, and wood furniture mills. Large companies (petroleum and electricity), 0.2 percent of the total industry, belong to the Mexican government (and soon to foreigners). Medium-sized industry, 0.4 percent, is made up of sugar

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refineries and fish, seafood, flour, milk, and coffee processing plants. 94.8 percent of the state's industry is micro-industry.

The health conditions of the people of Chiapas are a clear example of the capitalist imprint: one and a half million people have no medical services at their disposal. There are 0.2 clinics for every thousand inhabitants, five times less than the national average. There are 0.3 hospital beds for every thousand Chiapans, three times less than in the rest of Mexico. There is one operating room per 100,000 inhabitants, two times less than in the rest of Mexico and 0.5 doctors and 0.4 nurses per 1,000 people, two times less than the national average.

Health and nutrition go hand in hand in poverty. Fifty-four percent of the Chiapan population suffers from malnutrition and in the highlands and forest this percentage increases to 80 percent. A peasant's average diet consists of coffee, corn, tortillas, and beans.

Capitalism is in debt for everything that it takes away. . .

This part of the Mexican territory which willingly annexed itself to the young independent republic in 1824, appeared in national geography when the petroleum boom reminded the country that there was a southeast (82 percent of Pemex's petrochemical plants are in the southeast; in 1990 two thirds of public investment in the southeast was in energy). But this state does not respond to the fashions of presidential terms. Its experience of exploitation goes back for centuries. In times past woods, fruits, animals, and men went to the metropolis through the veins of exploitation just as they do today. Like the banana republics but at the peak of neoliberalism and "libertarian revolutions" the southeast continues to export primary materials, just as they did 500 years ago, and continues to export capitalism's principal production: death and misery.

One million indigenous people live in these lands and suffer a heavy disequilibrium with *mestizos* and *ladinos*: their only option, 500 years after the "meeting of two worlds," is to

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die of misery or repression. The program to improve the conditions of poverty, this small stain of social democracy which the Mexican state throws about and which with Salinas de Gortari carries the name Pronasol is a joke which costs tears of blood to those who live under the rain and sun.

Welcome! You have arrived in the poorest state in the country: Chiapas.

Let's suppose that you drive on to Ocosocoatla and from there down to Tuxtla Gutiérrez, the state capital. You don't stay long. Tuxtla Gutiérrez is only a large warehouse which stores production from other parts of the state. Here you find some of the wealth which will be sent to whichever destinations the capitalists decide. You don't stay long, you barely touch the lips of the wild beast's bloody jaw. You go on to Chiapas de Corzo without noticing the Nestle factory that is there, and begin to climb up into the mountains. What do you see? One thing is certain: you have entered into another world: an indigenous world. Another world, but the same as that in which millions in the rest of the country live.

Three-hundred-thousand tzotziles, 120 thousand choles, 90 thousand zoques, and 70 thousand tojolabales inhabit this indigenous world. The supreme government recognizes that "only" half of this million indigenous people are illiterate.

You continue along the mountain road and arrive at the region known as the Chiapan highlands. Here, more than 500 years ago indigenous people were majority masters and owners of land and water. Now they are only the majority in number and in poverty. Drive on until you reach San Cristóbal de las Casas which 100 years ago was the state capital (bourgeois fists robbed it of the dubious honor of being the capital of the poorest state in Mexico). No don't linger. If Tuxtla Gutiérrez is a large warehouse, San Cristóbal is a large market. From many different routes the indigenous tribute of the tzotziles, tzeltales, choles, tojolabales, and zoques reach capitalism, each bringing something different: wood, coffee, cloth, handicrafts, fruits, vegetables, corn. Everyone carries something: sickness, ignorance, jeers, and death. This is the

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poorest region of the poorest state in the country. Welcome to San Cristóbal de las Casas, "colonial city" say the history books, though the majority of the population is indigenous. Welcome to the huge market which Pronasol embellishes. Here you can buy or sell anything except indigenous dignity. Here everything is expensive except death. But don't stay too long, continue along the road, the proud result of tourist infrastructure. In 1988 there were 6,270 hotel rooms, 139 restaurants, and forty-two travel agencies in the state. This year, 1,058,098 tourists visited Chiapas and left 250,000,000,000 pesos in the hands of restaurant and hotel owners.

Have you calculated the numbers? Yes? You're right: there are seven hotel rooms for every 1,000 tourists while there are only 0.3 hospital beds per 1,000 Chiapan citizens. Leave the calculations behind and drive on noticing the three police officials in berets jogging along the shoulder of the road. Drive by the Public Security station and continue on passing hotels, restaurants, large stores and heading towards the exit towards Comitán. Leaving the "pot" of San Cristóbal behind you will see the famous San Cristóbal caves surrounded by leafy forests. Do you see the sign? No, you are not mistaken, this natural park is administered by. . .the army!

Without leaving your uncertainty behind, drive on. . .Do you see them? Modern buildings, nice homes, paved roads. . . Is it a university? Workers' housing? No, look at the sign next to the cannons closely and read "General Army Barracks of the 31st Military Zone." With the olive-green image still in your eyes drive on to the intersection and decide not to go to Comitán so that you will avoid the pain of seeing that a few meters ahead, on the hill that is called of the Foreigner, North American military personnel are operating, and teaching their Mexican counterparts to operate a radar. Decide that it is better to go to Ocosingo since ecology is very fashionable and all that nonsense. Look at the trees, breath deeply. . .Do you feel better? Yes? Then be sure to keep looking to your left because if not, after seven kilometers you will see another

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magnificent construction with the noble symbol of SOLIDARITY on the facade. You don't see, I tell you to look the other way, you don't notice that this new building is. . .a jail. (Evil tongues say that this is a benefit of Pronasol. Now peasants won't have to go all the way to Cerro Hueco, the prison in the state capital). No brother, don't lose heart, the worst is always hidden: excessive poverty discourages tourism. Continue on, down to Huixtan, up to Oxchuc, look at the beautiful waterfall where the Jatate River begins whose waters cross the Lacandon forest. Pass by Cuxulja and instead of following the detour to Altimirano drive on till you reach Ocosingo: "the door to the Lacandon Forest. . ."

Good, stay a while. Take a quick tour around the city. . .Principal points of interest? The two large constructions at the entrance are brothels, next door is a jail, the building further beyond, a church, this other one is a beef-processing plant, that other one, army barracks, over there is the court, the Municipal building, and way over there is Pemex. The rest are small piled-up houses which crumble when the huge Pemex trucks and ranch pick-up trucks pass by.

What do you think? A Porfirista-type large-landed estate? But that ended seventy-five years ago! No don't follow the road that goes to San Quintin, in front of the Montes Azules Reserve. Don't go to where the Jatate and Perlas rivers join, don't go down there, don't walk for three eight hour days, don't go to San Martin and see that it is a very poor and small community, don't approach that shed which is falling to pieces. What is it? A sometimes church, school, meeting room. Now it is a school. It is 11:00am. No don't go closer, don't look in, don't look at the four groups of children riddled with tapeworms and lice, half naked, don't look at the four young indigenous teachers who work for miserable pay which they have to walk for three days, the same three days that you just walked, to get. Don't notice that the only division between the class rooms is a small hall. Up to what grade do you teach here? Third. No, don't look at the posters which is the only things

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that the government has sent to these children. Don't look at them: they are posters about AIDS prevention.

Better for us to move on, let's return to the paved roads. Yes, I know that it is in bad condition. Let's leave Ocosingo, continue to admire the countryside... The owners? Yes, ranch owners. Production? Cattle, coffee, corn. . .Did you see the National Indigenous Institute? Yes, the one as you leave the city. Did you see those pick-up trucks? They are given on credit to indigenous peasants. They only take unleaded gas because its better for the environment. . .There is no unleaded gas in Ocosingo? Well, that's just a little thing. . . Yes, you are right, the government is worried about the peasants. Of course evil tongues say that there are guerrillas in these mountains and that the government's financial help is really to buy indigenous people's loyalty, but these are rumors, surely they are just trying to undermine Pronasol... What? The Citizen's Defense Committee? Oh yes! It consists of a group of "heroic" cattle-raisers, traders, and corrupt union bosses who organize small guards to give threats.

No, I already told you that the Profirista large-landed estate was done away with seventy-five years ago... It would be better for us to move on... at the next intersection take a left. No, don't go towards Palenque. Let's go to Chilón. . .pretty, no? Yes Yajalon. . . very modern, it even has a gas station. . . look, there's a bank, the municipal building, the courthouse, over there the army. . . It looks like another hacienda? Let's go and you won't see those other large, modern buildings in the outskirts, along the road to Tila and Sabanilla with their big beautiful SOLIDARITY signs, you won't see that it is. . .a jail.

Good, we got to the intersection. Now to Ocosingo. . .Palenque? Are you sure? Okay, let's go. Yes, beautiful countryside. Are those ranches? Correct: cattle, coffee, wood. Look, we're already at Palenque. A quick tour of the city? Okay. Those are hotels, over there restaurants, the municipal building, the courthouse, those are the army barracks, and over there.. What? No, I already know what you're going to tell me.

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. . Don't say it. . . Tired? Okay, we'll stop for a bit. You don't want to see the pyramids? No? Okay. XiNich? Ah. . . an indigenous march. Yes, it's going to Mexico City. How far? 1,106 kilometers. Results? They receive their petitions. Yes, that's all. Are you still tired? More? Let's hope. . . To Bonampak? The road is very bad. Okay, let's go. Yes, the panoramic route. . .this is the federal military reserves, that other one, the navy, the one over there the Ministry of Government. . . Is it always like this? No, sometimes they top it off with a peasants' protest march. Tired? Do you want to go back? Okay. Other places? In what country? Mexico? You will see the same. The colors will change, the languages, the country-side, the names, but the people, the exploitation, the misery and death is the same. Just look closely. In any state in the Republic. Well, good luck. . . and if you need a tourist guide please be sure to let me know. I'm at your service. Oh! One more things. It will not always be this way. Another Mexico? No, the same. . . I am talking about something else, about other winds beginning to blow, as if another wind is picking up. . .

For twenty-five hundred years, people have been treating the problem of selfishness vs. social-mindedness as if it were purely theoretical. And they have been reaching no answers. They have failed. They have failed, because the problem is not in fact theoretical but practical. Its solution lies not in the construction of new ethical philosophies but in the creation of a new society.—Barrows Dunham, *Man Against Myth*

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ECONOMIC REFORM: SUCCESS IN CHINA AND FAILURE IN EASTERN EUROPE

by JOHN ROSS

Since Russia, the other countries of Eastern Europe, and China had quite similar economies under their communist governments, any analysis of Russia's current economic crisis must eventually ask why the economic reforms in China since 1979 have produced the greatest economic success of recent times and the structural changes in Eastern Europe since 1989 and in Russia since January 1992 have produced such disasters. This is not an academic question; these disasters affect hundreds of millions of people. As the UN *Economic Survey of Europe in 1992* notes, "The cumulative drop of output registered over the last two to three years in some countries has attained proportions that are unmatched even by the Great Depression of 1929–1933." Russia in 1992 has suffered the greatest peacetime decline in its modern history. The fact that the course of reform it followed has produced disaster in *every* country in which it has been applied shows conclusively that the failure lies not in particular errors of application but in the nature of the policies themselves. It is these processes which underlie the deepening political crisis in Russia.

The contrast between the results that followed the Chinese reforms in 1979 and those that followed the East European reforms in 1989 illustrates the differences dramatically.

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In the decade after the 1979 reforms, Chinese gross domestic product grew 135 percent. The growth trend picked up immediately after 1979 and continued essentially unabated. In Eastern Europe, the immediate effect of the 1989 reforms was a sharp decline in output that has persisted until the present. China demonstrably made the kind of change that Russia now requires. Consumer goods became the leading sector of the economy, the supply of high quality foodstuffs such as fruit and meat increased enormously, the service sector expanded rapidly, small-scale enterprise flourished, the productivity of labor and investment both soared, and living standards doubled. The Russian government has proclaimed these goals, but so far it has completely failed to achieve them.

The contrast is not, of course, accidental. The same "laws of economics" that led to success in China have dictated failure in Russia and Eastern Europe. The mistake of the governments in the latter countries has been to misunderstand the specific character of the Russian economy and those modelled after it. They are altogether different from the competitive economies of the West. Russia, Eastern Europe, and China are "dual economies." Such economies have a large and almost-pure monopoly sector that operates essentially according to the laws of monopoly, and a non- monopoly sector that operates essentially according to the laws of competition. The specific dynamic of economies of this type results from the interaction of the two sectors. Once the character of these economies is understood, then their laws and the policies necessary for them to function successfully are clearly defined.

The National and International Markets

To evaluate alternative growth policies for a country like Russia, with its dual economy, it is essential to consider both the relative sizes of its national and international markets and the structural differences between them. The world market is essentially competitive. Except for a small number of commodities, no one country dominates supply. But the Russian

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domestic market is part of a *dual economy,* made up of monopoly sectors and competitive sectors. If the world market dominated the supply side of the Russian economy, one could still say that Russia had an essentially competitive economy, which would therefore be governed by the laws of competition. But since the domestic market is dominant, the Russian economy is subject to the laws of the dual economy. The Russian government and the people advising it fail to grasp the significance of this. They fail to draw the necessary conclusions from the fact that Russia itself and the other former Soviet republics are its dominant sources of supply. According to IMF calculations, Russian trade is about 22 percent of GDP. Of this 22 percent, however, 13 percent is with other areas of the former USSR, leaving only a little more than 9 percent as "external" in a genuine sense. The predominance of trade with the former Soviet republics is highly significant because the USSR was integrated not simply in terms of the market for final goods but also in terms of raw materials and intermediate goods. For this reason, it is this "domestic" market which is decisive in assessing the relative importance of competition and monopoly.

The Dual Economy and Inflation

The difference between Russian and Western industrial structure is striking. In the former USSR, 87 percent of the nearly 6000 products delivered to the State Supply Commission in the machine-building industry came from single sites. Some 30–40 percent of industrial products came from single producers. Enterprises with more than 1,250 employees accounted for 85 percent of industrial employment. Both final assembly and components supply are monopolized. Similar structures exist in Eastern Europe and China. In the West, enterprises with more than 1,000 workers account for only 20 to 33 percent of employment. Even in the extremely concentrated and capital-intensive semiconductor industry in Japan, for example, the top five firms account for only about 60 percent of production.

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The industrial sphere of the Russian economy is closer to a perfect monopoly than anything in the West. Moreover, the government's hopes that privatization and international competition can offset the effects of monopolization are illusory. The monopolization exists at the level of production, not simply at the level of ownership, and therefore privatization in itself will do nothing to ameliorate it. Moreover, Russian exports are so small they cannot finance the imports necessary to make the domestic markets competitive, and are likely to remain small.

The laws of monopoly are well known, and have often been used by Russian economists to point out the errors of the government's policies. In the former Soviet system the monopolies produced to meet planning targets, and since they were subject to price controls, they could in any case have increased profits only by increasing output, not by restricting it. But with the transition to "free markets," the best strategy for the monopolies which have been released from government control is to reduce output and raise prices to the point of profit maximization. This has in fact been done in Russia and Eastern Europe, and by itself explains a large part of the economic decline.

The direct effects of monopolization are reinforced by the dynamics of the credit system. The monetary authorities recognize that monopoly price increases will follow the spread of the free market and that this will put them in a bind. Either they must permit general inflation by increasing the money supply in proportion to the price increases, or they must "lean against the wind" and permit output to decline. The Poles pursued this latter strategy at the end of 1989, when they reduced the rate of growth of the money supply from 190 percent in the third quarter of the year to under 10 percent in the second quarter of 1990 in the face of a 400 percent rate of increase in domestic prices. The result was precipitous drop in the "real money supply" and a disastrous collapse in output.

When Russian industry and trade unions jointly called for credit expansion in the summer of 1992, their call was

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therefore justified. But credit expansion creates problems peculiar to the dual economy. While an increase in the money supply is necessary to prevent the collapse of output in a heavily monopolized economy suffering from inflation, such a measure just permits the inflation to continue. Prices in the monopoly sector rise relative to those in the competitive (largely agricultural) sector, whose individual enterprises cannot gain from cutting production. Their input costs rise relative to their output prices. The monopoly sector also gains preferential access to credit. This makes the crisis in agriculture (and other competitive sectors) more profound than the crisis in industry. Full "liberalization" of prices has been disastrous for small private enterprises, and about 50 percent of the cooperatives in Russia have gone bankrupt.

This particular dynamic would not be so decisive if the Soviet Union had not deliberately underdeveloped its consumption-goods industries. The degree of this underdevelopment is at the core of the difference between economic success in China and disaster in the countries of the former Soviet bloc. Well under 55 percent of Soviet GDP, probably under 50 percent, had been devoted to the production of consumer goods, compared to 60-65 percent in most western countries and 67 percent in the United States. This underdevelopment not only undermined the incentive to work, but led to serious distortions in the structure of productive capacity from the perspective both of domestic needs and of international competitiveness. Moreover, the Soviets further undermined worker incentives by allocating much less to housing than the people would have chosen if their needs had carried more weight. In the West, the share of investment devoted to building housing is normally in the range of 23-33 percent. In the Soviet Union during the years 1971-89 it was only about 15 percent. The service industries, which are among the most rapidly-growing in the economies of the West, were underdeveloped as well. In 1990, employment in services was 57 percent of the civilian total in Germany, 59

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percent in Japan, 71 percent in the U.S., but only 45 percent in the Soviet Union.

Thus, at the time of privatization, by comparison with the West the Russian economy was relatively overdeveloped in the direction of heavy industry and underdeveloped in light industry and services. This industrial imbalance was paralleled in the degree of industrial concentration, with high concentration dominant in the overdeveloped industries and lower concentration in the industries that were underdeveloped. When the process of price determination was "liberalized," relative prices shifted in favor of the monopoly sector and squeezed the less concentrated industries mercilessly. Such perverse changes rewarded the overdeveloped industries and crushed the underdeveloped, running precisely counter to what was needed to make the market respond to the needs of the people.

The Chinese Economic Reforms

No significant part of the monopoly sector was privatized in the course of the Chinese reforms. There were several waves of "small privatization," particularly in retailing, but these had no effect on large-scale industry. Output in the monopoly sector was expanded by three complementary mechanisms. (1) The entire economy was expanded very fast under the impact of policies discussed below. The demand for goods from the state industries was therefore maintained at a high level. (2) Slightly less than half the investment in the state sector was subject to a central plan, and from 1978 to 1988 it only declined from 8.7 percent of GNP to 7.5 percent. (3) Large amounts of state credit were advanced to enterprises; such credits increased from about 9 percent of GNP in 1978 to about 30 percent in 1988. However, because prices were controlled in the monopoly sector, the monopoly enterprises could only increase their profits by increasing output.

This combination of high demand and cheap investment credits led to rapid expansion in the output of the state enterprises. Gross output in the state-enterprise sector rose by

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56 percent from 1981 to 1986, at an annual rate of nearly 10 percent. Therefore the change in industrial concentration that took place over this period came about not because the state sector was curtailed or privatized, but because other sectors expanded more rapidly. The gross industrial output of the non-state collective sector increased at a rate of about 19 percent per year over the same period. Thus China did not destroy its state monopoly sector but altered its relationship to the rest of its economy.

On the demand side, the foundation of the Chinese economic reform was a radical increase in the share of national income that was passed down as personal income. From 1978 to 1981, in only three years, the share of GNP devoted to private consumption was increased from 52.6 percent to 58.5 percent. In real terms, consumption increased by 20 percent. All other goals were subordinated to achieving this leap. Government consumption was reduced from 14.2 percent of GNP to 11.5 percent, and fixed investment temporarily reduced from 26.8 percent to 20.1 percent of GNP, although it was restored after the jump to a higher level of consumption had been achieved.

This huge shift in the share of output devoted to consumption was the precondition of the transformation of the supply side. New industries—processed foods, household durables, and consumer services—could only develop if a market were created. But the transformation was not carried out in reckless haste, as in Russia. The drop in the share of output devoted to the military was the chief means by which consumption standards were raised, but the 3 percentage points by which military production fell as a share of output was spread out over ten years.

The restructuring of supply required by the change in the structure of demand was accomplished by a large change in relative prices in favor of the non-monopoly sectors of the economy. *This mechanism was the key to the success of the economic reform.* In 1978-81, with the start of the rural reform, the procurement price of agricultural goods was raised by 38

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percent relative to the prices of industrial goods, and the prices of consumer goods rose 11 percent relative to the price level as a whole. In 1984-86, with the start of the urban reform, the prices of consumer goods rose relatively by another 11 percent. The incomes of the populace were protected against these price increases by subsidies and wage increases. Unlike the Russians, therefore, the Chinese consumers did not suffer from the change in relative prices and benefitted greatly from the increased supply of consumer goods, so the measures were widely supported.

Since the boundary between investment and consumer goods industries largely corresponds to that between the monopoly and non-monopoly sectors, the restructuring of prices amounted to a shift in favor of the non-monopoly sector, the exact opposite of what took place in Russia. As all barriers to production for the consumer markets were removed and prices took this very favorable turn, the enterprises in agriculture and other consumer-oriented industries flourished. The price reform thus gave genuine substance to the right to establish private enterprises, whereas in Eastern Europe the legal right was largely nullified by unfavorable prices.

In China three distinct industrial sectors were developed. The private sector remained small, producing only 5 percent of industrial output in 1989. The collective sector, made up of groups that leased facilities from municipalities and of groups with their own facilities, produced 36 percent of industrial output in 1989. The state sector produced 56 percent. Throughout the decade of the 1980s the collective sector grew relative to the state sector.

Employment in the services industry exploded. From 1978 to 1988, total employment in China increased by 35 percent, but employment in food preparation went up by 327 percent, in retailing by 389 percent, and in other services by 750 percent. Total employment in these three sectors increased from 6 million to 30 million.

Agriculture was decollectivized. Land remained the property of the nation, but responsibility for production

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passed to family farming units. Essentially perfect competition was established on the supply side of the market. On the demand side, a system of incentives was created in which the state pledged to purchase a quota at a fixed price and anything beyond this at a higher price. These incentives were strengthened by successive price increases. The effects on production were what one might expect. Between 1980 and 1984 food output increased by 6.9 percent a year, cereals production by 7.4 percent. By 1984 the fundamental problem of the basic food supply was solved, the uptrend in procurement prices was brought to a halt, and attention was shifted to increasing the output of higher quality food products such as meat, vegetables, and sugar.

The interaction between the rural and urban sectors created a huge demand for consumer goods. Total industrial output grew by 8.6 percent a year from 1979 to 1984, but production of refrigerators grew by 47 percent a year and of television sets by 98 percent a year. After 1984, procurement price increases were brought to a halt, and growth in agricultural output slowed to 5 percent a year, but the rate of industrial growth rose to 14.5 percent. By 1988 China was producing 7.6 million refrigerators and 25 million television sets. A housing boom was under way. It was this successful consumer market which laid the basis for the continued rapid economic growth of the early 1990s and the recognition of China as the emerging economic superpower of the next century.

The Challenge to the Russians

The strategy that enabled China to make this progress was essentially the opposite of what failed in Eastern Europe and Russia. In the latter countries, the state abandoned its control over the monopoly industries. Output in the monopoly sector collapsed, monopolies raised their prices relative to prices in the competitive sector, and the latter sector was impoverished by the higher prices. But in China the government used its direct control to maintain or increase output in

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the monopoly sector and its control over prices to encourage the development of the competitive sector.

It is clear from the laws of development of the dual economy that only a reform of the Chinese type can succeed in Russia. No matter how long an "East European" reform is given to work itself out, there will be nothing but disaster. There is no known *administrative* mechanism that can possibly create the complex network of non-monopoly enterprises necessary to supply consumers in a modern society. The state must take the lead, but it must use the market mechanism to develop the consumption goods industry at all levels, from production to retail distribution.

Three substantial interest groups in Russia clearly have an incentive to promote reforms of the Chinese type in their own country and have enough influence to make their voices heard at some level of government: (1) industrialists and managers, who know they must somehow halt the destruction of industry and create the conditions that will make economic modernization possible; (2) representatives of the working masses, notably the trade unions, who see the absolute necessity of turning around the decline in employment and consumption; (3) small businessmen, for whom newly-won legal rights are a mockery in an economic climate in which they cannot survive. There exists therefore the political basis for a reform movement of a different type, and the disasters of the current policies are there for all to see. We shall see whether these forces are capable of forming a coherent economic and political bloc. If they do not, the deepening economic chaos will strengthen still further the extremist nationalist forces reflected in the vote for Zhirinovsky at the recent elections.

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GREENSPAN ON OUT-OF-CONTROL MONEY AND THE FUTURE OF U.S. CAPITALISM

by PAUL BURKETT

Federal Reserve pronouncements usually yield little insight into the real functions and limitations of monetary policy or into ruling-class thinking on the prospects for U.S. capitalism. During financial crises, the Fed may affirm its "readiness as a source of liquidity to support the economic and financial system," as Chairman Alan Greenspan put it following the October 1987 crash. But even such emergency bulletins are more designed to allay public fears and boost market confidence than to inform citizens about the inner workings of the system and Fed policy. They are somewhat akin to the assurances of "no danger to the public" routinely churned out by the authorities after nuclear-reactor accidents. In more normal times, Fed statements utilize the jargons of market analysts and neoclassical economists which have grown increasingly similar in the recent years of exploding finance and stagnating productive activity. This reinforces the aura of elite expertise and control separating Fed personnel and operations from the general public.

In this setting, it is not surprising that Greenspan's announcement last fall of a new long-run guideline for Fed policy, while duly noted by the business press and hardcore Fed-watchers in academia and economic consulting firms, caused little if any public stir. ["Statement to the Congress

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(July 20, 1993)," *Federal Reserve Bulletin*, September 1993, pp.849-855.] In one sense, this was as it should have been. Greenspan's statement did not follow on the heels of a major short-term financial crisis, and its practical implications for the Fed's day-to-day operations were minimal. Yet on a different level it revealed a great deal about the long-run socioeconomic crisis we are facing and the type of mainstream response likely to become more common in the near future as ruling-class spokespeople redefine the reality of crisis in line with the changing requirements of capitalist ideology.

The first theme that jumps out of Greenspan's statement is his admission that: (1) the Fed cannot control the quantity of money in the economy; (2) there is no stable or predictable relation between the quantity of money and the economic variables which are supposed to be the ultimate targets of Fed policy. According to Greenspan, the "monetary aggregates" have been showing "persistent and sizable deviations . . . from expectations," and the "historical relationships between money and income and between money and the price level have largely broken down, depriving the aggregates of much of their usefulness as guides to policy." Greenspan's frank conclusion that money must be "downgraded as a reliable indicator of financial conditions" is notable because the Fed, supported by most mainstream economists, has long thought and taught that it influences economic conditions primarily by controlling the money supply.

If money is no longer a reliable indicator, what should replace it as a policy guide? This brings us to Greenspan's second main theme:

> In these circumstances, it is especially prudent to focus on longer-term policy guides. One important guidepost is real interest rates. . . . In assessing real rates the central issue is their relationship to an equilibrium interest rate, specifically the real level that, if maintained, would keep the economy at its production potential over time. . . . Maintaining the real rate around its equilibrium level should have a stabilizing effect on the economy, directing production toward its long-term potential.

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Even before delving further into the equilibrium interest rate, we can see that the significance of this new approach depends on how Greenspan relates the economy's long-term potential to current circumstances. Crudely stated, if the new interest rate guidepost is to keep production at its long-term potential, the Fed must pursue some combination of two options: (1) move current circumstances, i.e. the actual performance of the economy, closer to the system's potential (however defined); (2) redefine long- term potential to make it conform more closely to current circumstances. Notice that the definition of long-term potential is crucial under either option, since it is the ideal against which reality is measured. Whether the economy is moving toward its long- term potential depends on one's view of what that potential is. It can even be argued that the concept of long-term potential is the single most crucial indicator of the class-ideological basis of any long-term outlook for the economy and policy.

Of course, even mainstream concepts of long-term potential cannot be plucked out of thin air. They must have some basis in reality in order to help legitimize the system as it currently exists. Mainstream ideologies, and associated concepts of long-term potential, must therefore adjust to changing circumstances. Rather than ignoring real world developments, they redefine or mystify these developments in line with the ruling class's view of what is most imperative for reproduction of the system and hence its own power at any point in history. Hence changes in mainstream ideology can shed light on the direction of ruling-class thinking, and even on where the system is headed to the extent that historical developments are determined by the ruling-class's public and private initiatives.

If Greenspan's two themes are interpreted along such ideological lines, they can be seen as a logical capitalist response to the impasse faced by the Fed and other government policymakers in an age of long-run economic stagnation, finance- and debt-led accumulation, and intensified global competition. Greenspan is right about the breakdown of

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received mainstream wisdom on the role of money and of monetary policy in the economy. But rather than directly grappling with the underlying causes of this bankruptcy, his new equilibrium interest rate approach simply redefines the economy's long-term potential in line with the socially-irrational imperatives of finance-led accumulation and capitalist competitiveness. Greenspan's new philosophy is retrogressive because it hinges on a particularly vulgar version of the long-bankrupt Say's Law. Nonetheless, it represents an improvement in the clarity of mainstream ideology. By revealing that U.S. capitalism is no longer able to legitimize itself on the strength of its ability to satisfy majority needs, Greenspan's proposal clarifies the choices currently facing society.

Money, Credit, and Monetary Policy

To see the kernel of truth in Greenspan's argument, it is necessary to consider why the traditional mainstream view of monetary policy has broken down. Basically, this view holds that the Fed can control the money supply and influence economic conditions by controlling the level of reserves in the banking system.[1] Suppose the Fed wants to increase the money supply and stimulate real economic activity. It can write checks on itself and then use this new money to buy bonds in the open market. The money then shows up as an increase in bank reserves, as the bond sellers deposit the Fed's checks into their bank accounts. Alternatively, the Fed can lower the discount rate charged on its loans to the banks, or scrutinize banks' loan requests less thoroughly, making it easier for the banks to increase their reserves. In either case, the banks use the new reserves to make new loans which in turn end up being mostly re-deposited in the banking system, re-lent by the receiving banks, re-deposited again, etc. The extent to which banks can multiply new reserves in this fashion is supposedly determined by the minimum reserve/deposit ratios set by the Fed and the relatively stable (or at least predictable) excess reserve ratios of the banks.

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The link between such Fed operations and the real economy is completed by the assumption of a predictable relationship between productive investment and credit conditions. Here, an expansion of bank lending makes it easier and/or less costly for businesses with potentially profitable investment opportunities to obtain the required funds. This boost to investment will then lead to some combination of increased production and employment or rising prices, with the extent of price inflation depending on how close the economy is to its full-employment or potential output level. This whole process could, of course, be conceived in the opposite direction. If the Fed had wanted to reduce growth of money and credit and rein in real economic activity (e.g., to reduce inflationary pressures), it could have sold bonds or made it more difficult for the banks to borrow reserves from the Fed. There are, however, two basic problems with this traditional view. They concern what really determines: (1) the quantity of money; (2) the uses of money and credit. Moreover, these two problems are inseparable from each other. They are both related to developments in the sphere of capital accumulation. Let us consider each of them singly before turning to their mutual relationship to the capital accumulation process.[2]

The traditional view is half right, in that money is in fact a by-product of credit creation by banks and other financial institutions. But in the real world, Fed policies are designed to accommodate the needs of this credit-creation process, not to control it. This does not mean that Fed policies are completely passive or non-discretionary. Accommodating the needs of the financial system means, for instance, bailing out this system when speculative excesses and imbalances drive it to the brink of collapse. Moreover, as the credit-creation process develops historically, taking on new institutional forms and generating new kinds of financial assets and debts, the Fed must adjust its policy strategies and regulatory instruments in order to accommodate the changing needs of the system. But however the Fed responds, it is always reacting to

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prior developments in the credit-creation process which are not subject to its control, which means of course that it does not in any meaningful sense control the quantity of money and credit.

Especially from the late-1960s onward, banks devised new methods for obtaining loanable funds independent of the Fed. Indeed, they were forced to do so by intensified competition from alternative outlets for household and business savings such as money market funds, insurance companies, and pension funds. Temporarily idle reserves were more rapidly shifted among banks, both in the domestic federal funds market and in the international inter-bank market for U.S. dollar deposits fed by U.S. balance-of-payments deficits. Banks engaged in "liability management" by restructuring their liabilities toward deposits with lower reserve requirements or even toward new unregulated deposit instruments (e.g., by offering higher interest rates on these deposits or extending checking services to previously non-checkable deposits). Such credit- and money-expanding innovations were not controlled by the Fed. Rather, they were accommodated by the Fed's and other authorities' deregulation policies and by the Fed's ongoing lender-of-last resort operations.

We shall return to what determines the quantity of money. Let us now consider the second issue raised above, namely what really determines the uses of money and credit. The traditional textbook view has Fed-induced money and credit expansions stimulating the real economy via increases in productive investment. Here again, mainstream tradition is half right. During the long post-World War II boom of the U.S. and global capitalist economies, credit expansion was to a significant extent absorbed by business investments in productive capacity, although consumer credit also helped fuel the demand for goods and services in this period. Even though this credit expansion was more accommodated than controlled by the Fed, the traditional view had some correspondence with reality up until the late-1960s. From then on, however, the correspondence became increasingly tenuous.

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The prior competitive build-up of productive capacity and the inherent limits to wage-based demand under capitalism led to excess capacity in all the major industries which had driven the long global-capitalist expansion. A shortage of productive and profitable investment outlets developed. Under these stagnationary conditions, increases in money and credit tended merely to increase the level of monetary claims on the available output, not to increase productive investment and hence the size of the real pie to be divided among the major claimants (capital, labor, and government).

The first result of this stagnationary excess of monetary claims was stagflation, i.e. the combination of accelerating inflation, excess capacity, and unemployment which later sounded the death- knell of the Carter Administration. There was a large increase in the rate of inflation associated with any given degree of excess capacity and unemployment. The mainstream wisdom did not respond by abandoning the idea that the Fed controls money and credit or the notion that Fed policies can keep the economy near full employment or potential output. Rather, the response (led by the Monetarists, who quickly won over the mainstream Keynesians) was to redefine full employment or potential output as the situation where actual and expected inflation are equal. This new definition, labelled "natural" output, served two purposes. First, accelerating inflation could be simply blamed on over-expansionary policies and corresponding inflationary expectations, without reference to the systemic roots of the problem in stagnating productive capital accumulation. Second, since rational economic decision-makers presumably adjust their inflationary expectations in line with changes in the actual inflation process (including changes in relevant inflationary policies), it could be assumed that the economy more or less quickly adjusts to its natural equilibrium. Hence, any abnormal unemployment or economic slack remaining in this equilibrium could be blamed on impediments to the free operation of market forces and economic competitiveness. Among the obvious culprits were excessive taxes on corpora-

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tions and the rich, government regulations, minimum wage laws, and other "distortions" and "rigidities" imposed by "special interests" such as trade unions and the environmental, civil rights, consumer safety, and women's movements.

The stagflation dilemma and the mainstream response thus set the stage for ongoing attacks on working-class living conditions under the banners of supply-side economics and economic competitiveness, beginning in the late-1970s. These attacks did not revitalize productive capital accumulation and thereby reestablish a correspondence between credit expansion and productive investment. Neither did they establish even a modicum of Fed control over money and credit. What they did do is alter the dominant form of excessive monetary claims on real output in such fashion as to give both the banks and Fed policy the appearance of hanging onto the rear of a runaway train.

Especially after Reagan's election, the conservative turn in the government policy regime bolstered the confidence of propertied interests benefiting from upward redistribution of income and wealth. Given the shortage of productive investment opportunities, these animal spirits were expended largely on an acceleration of financial activity, and both credit growth and inflationary pressures were to a great extent transferred to the sphere of speculation. In this process, non-bank financial institutions and markets produced innovations that made overall credit expansion increasingly autonomous from the previously normal business-loan and deposit operations of banks. These innovations greatly accelerated the monetization of debts, i.e., the increased convertibility of marketable assets and liabilities into cash and checking balances or other speculative financial instruments. Through devices such as put and call options in the stock and bond markets (options to buy or sell at a given price in the future), financial derivatives linked to exchange rates, interest rates, or stock-price indices as well as swap arrangements in various financial instruments (all of which directly increase opportunities for speculative profit-making), individual and institu-

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tional speculators increased their ability to borrow paper assets or convert from one asset to another at a moment's notice. The erratic growth of such debt-monetization devices obviously tended to destabilize the relationship between traditional measures of the money supply, the turnover of financial wealth, and real economic activity. Indeed, the tenuous relationship between such devices and productive activity is verified by a recent New York Fed publication which outlines the causes of the recent growth of financial derivatives:

> the direction and speed of the derivatives' spread have been governed critically by particular demands for liquidity-enhancing and risk-transferring tools . . . . [There are] four developments giving rise to such demands: sustained shifts and temporary surges in market volatility, the emergence of important but relatively illiquid cash markets for government bonds, new inducements for financial institutions and nonfinancial firms to deal with interest rate risks, and the international diversification of institutional equity portfolios . . . . [T]he primary economic function of exchange-traded derivatives appears to be the provision of liquidity in excess of the liquidity in the cash markets.[3]

If one can cut through the market-speak, it is evident that this roster of "developments giving rise to such demands" is confined to speculation in, and monetization of, financial instruments. However, although these developments basically invalidate the traditional view linking credit to productive activity, they did not proceed separately from the banks and the Fed. As the center of financial activity swung from traditional business loans toward more speculative markets in the 1980s, the banks themselves became major players.[4] Speculators make heavy use of bank credit lines, checking services, and other deposit facilities, not only to access additional funds for their gambling operations but also to hedge against the uncertainty and volatility of asset prices and trading opportunities inherent to these essentially fictitious capital markets. Such business can be quite profitable for the banks during "normal" times when speculative-asset prices are generally rising. But during market crises these linkages, basically in-

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volving the full monetization of speculative assets and debts by the banks, can place extreme pressure on bank credit and deposit facilities, i.e. the central payments system of the economy. In that event, the Fed may be forced to step in and provide financial-market operators, via the banks, with the hard cash required to prevent a complete collapse of the speculatively-inflated asset values which now underwrite much of the money issued by the banks themselves. It was the linkages of major banks with the stock and stock-index futures markets that forced the Fed to "support the economic and financial system" by flooding it with cash in October 1987. Considering the alternative, such bailouts constitute Fed control over the quantity of money and credit only in the most formalistic, counter-factual sense. This would be true even if each bailout did not essentially validate the speculative behavior that necessitated the bailout in the first place, thus ensuring the need for new bailouts in the future.

Greenspan's "New" Perspective: Back to the Future

The aforementioned developments forced even some mainstream economists to note the complete breakdown of any stable or predictable relationship between money, credit, and Fed policy on the one hand, and the real economy on the other. By 1988, Harvard economist Benjamin Friedman was asserting that "in the eyes of many economists, the Federal Reserve System has been steering without a rudder. . . ."[5]

At one level, therefore, Greenspan's recent pronouncement can be read as just a pragmatic, evasive, and retrogressive response to the Fed's policy dilemma from within the traditional mainstream wisdom. After all, the notion of an "equilibrium interest rate" which "if maintained, would keep the economy at its production potential over time" is nothing new. It is merely a modern rendition of the old "natural interest rate" theory of late-nineteenth and early-twentieth century neoclassical economics. This theory defended Say's Law, according to which supply creates its own demand near full employment, by positing a natural interest rate where the

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full-employment level of savings is equilibrated with investment demand. It assumed that an ample backlog of potentially profitable and productive investment opportunities always exists, but that the initiation of these investments depends on the cost of obtaining the needed funds, which is in turn dependent on prior savings. Hence, if savings ever exceeded investment at full employment, the interest rate would be bid down to its natural level, and the excess savings removed by rising investment and consumption.

As Keynes observed, this "traditional analysis is faulty because it has failed to isolate correctly the independent variables of the system."[6] In the real world saving is constrained by prior investment, not the reverse. An excess of planned full-employment savings over investment shows up as an excess supply of goods, causing a decline of output and income and hence of saving. Saving is then equilibrated with investment, but with both at less than full-employment levels. More basically, regardless of how low the interest rate is, there is no reason to expect that profitable investment opportunities will be anywhere near sufficient to absorb the tremendous surplus of (personal and business) saving that the modern capitalist economy is capable of generating near full employment. Unfortunately, this elementary economic logic is quite unrespectable in mainstream circles nowadays because it gives the lie to the notion that productive investment is constrained by government deficits absorbing too much prior savings. Greenspan's perspective is wholly traditional in this regard. He simply asserts (contrary to logic and the historical evidence) that prospective cuts in military spending and other deficit reductions "will ultimately mean a freeing up of resources for more productive uses . . . an improved outlook for sustained lower long-term interest rates and a better environment for private sector investment." For good measure, Greenspan also stipulates that the economy's long-term production potential, to be achieved via the equilibrium interest rate, occurs when both inflation and inflationary expectations are stable (preferably low). This follows the now traditional

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mainstream response to monopoly capitalism's stagflation dilemma, namely the redefinition of excess capacity and unemployment as "natural" equilibrium outcomes.

As noted earlier, however, mainstream ideologies and associated concepts of long-term potential cannot totally ignore reality, but must respond to changing circumstances in order to legitimize the system as it currently exists. On this level, Greenspan is more honest and to the point. Our most notable current circumstance is a strange cyclical recovery characterized by extraordinarily slow growth of output, rising unemployment and underemployment, intensified competition among firms and even more among workers, and various financial stresses and strains stemming from the finance-led character of accumulation in recent years. Consider Greenspan's acknowledgement of such weird aspects of the current recovery:

> As economic expansion has progressed somewhat fitfully, our earlier characterization of the economy as facing stiff headwinds has appeared increasingly appropriate. Doubtless the major headwind in this regard has been the combined efforts of households, businesses, and financial institutions to repair and rebuild their balance sheets after the damage inflicted in recent years as weakening asset values exposed excessive debt burdens. But there have been other headwinds as well. The builddown of national defense has cast a shadow over particular industries and regions of the nation. Spending on nonresidential real estate dropped dramatically in the face of overbuilding and high vacancy rates and has remained in the doldrums. At the same time, corporations across a wide range of industries have been making efforts to pare employment and expenses to improve productivity and their competitive positions. . . . However, their effect on jobs and wages through much of the expansion has also made households more cautious spenders.

One might think that this impressive catalogue of economic malfunctions (damaged balance sheets, weakening asset values, overbuilding, improved productivity leading to cautious spending, etc.) would totally preclude the applicability of Greenspan's prior analysis in which the equilibrium

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interest rate and other market forces move the system toward its production potential over time. In fact, to the extent that achieving "production potential" signifies developing and utilizing the system's capacity to satisfy human needs, one would be right. But to state this conclusion is to admit the historical bankruptcy not only of capitalist ideology but also of capitalism itself. To his credit, however, Greenspan does recognize the problem by identifying the system's long-term potential with the immediate imperatives of capitalist competitiveness and financial restructuring:

> With further waning of earlier restraints on growth the U.S. economy should eventually emerge healthier and more vibrant than in decades. The balance sheet restructuring of both financial and nonfinancial establishments in recent years should leave the various sectors of the economy in much better shape and better able to weather untoward developments. Similarly, the ongoing efforts by corporations to pare expenses are putting our firms and industries in a better position to compete both within the U.S. market and globally.

The key point here is not the accuracy of Greenspan's medical and meteorological diagnoses of the prospects for corporate capital, but rather his outright identification of the system's potential with the degree to which it is competitive and financially robust. Even pre-Keynes versions of Say's Law viewed the system's market and financial mechanisms as institutional instruments for maximizing and reaching the system's real productive potential and, indirectly, satisfying human needs. In Greenspan's rendition, by contrast, "maximizing and fulfilling the productive capacity of this nation" seems to be purely a matter of balance sheet restructuring and "putting our firms in a better position to compete," regardless of the social consequences. Greenspan's long-term potential is thus achieved precisely to the extent that government policies and workers' living conditions conform to the profit-driven logic of the system's financial and competitive mechanisms. If this requires declining majority living standards, growing poverty and unemployment alongside rising indus-

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trial productivity and healthier corporate and Wall Street balance sheets, so be it.

Nonetheless, Greenspan's perspective, however apologetic and socially-irrational, is more consistent and relevant than that of neoclassical Keynesian critics of Fed policy who have been urging Congress and the President to implement short-term expansionary measures to accelerate the current recovery, while glibly reconciling long-run capitalist priorities with social needs. For example, Nobel Laureate James Tobin recently suggested that "it does not make sense to oppose, on the ground that they will raise the deficit, fiscal measures which would stimulate demand, reduce unemployment, raise the GDP, and very likely raise private investment too." He goes on to argue that the Fed "can, and should, try harder" to ease credit conditions in order to pump up the economy. But what about the long-run shortage of profitable and productive investment opportunities relative to the full-employment level of savings? And what about the rising government debt, whose servicing absorbs an increasing share of Federal outlays, and which has resulted in a tremendous (and potentially destabilizing) overhang of U.S. government paper in global financial markets? No problem, according to Tobin, since his "viable path of recovery and growth. . . consists of expansionary fiscal policy and accommodative monetary policy for recovery, followed by deficit reduction and appropriately easy monetary policy in prosperity."[7]

Tobin's proposal hearkens back to the Kennedy-Johnson years, when it was argued that government deficits (normally this took the form of tax cuts for the wealthy and/or rising military outlays) should be used to help the economy out of cyclical recessions. These deficits could then be balanced out with the surpluses ("fiscal dividends") obtained from rising tax revenues during cyclical booms. The difficulty, of course, was and is that this policy could succeed in "balancing the budget over the business cycle" only if cyclical expansions are as robust and prolonged as recessions. In an environment of long-run investment stagnation (weak cyclical expansions fol-

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lowed by more serious recessions), the pump-priming strategy leads to increasingly large deficits during recessions and increasingly small fiscal dividends during cyclical upturns. Indeed, from as early as the Vietnam War period it became necessary to run larger and larger deficits during cyclical upturns in order to prevent these upturns from quickly petering out; and by the 1980s even the massive Reagan deficits were unable to move the system anywhere close to full employment although they did help fuel the explosion of speculative financial activity. In short, as long as monetary and fiscal policies are conducted within a framework dominated by capitalist interests, their projected success in Tobin's terms will hinge on a long-run recovery of productive private capital accumulation toward full-employment levels which in the real world is nowhere in sight.

If one properly discounts Tobin's wishful long-run thinking as the outmoded ideology it really is, it becomes clear that Greenspan's perspective, when stood on its head, points more clearly toward the only viable path out of the long-run crisis of U.S. capitalism. From a ruling-class point of view, it makes perfectly good sense to redefine the system's long-term potential in line with the constraints imposed by capitalist competition and the dominant role and fragility of finance, since the system's imperatives have now been fully severed from the development and utilization of its own real productive potential for satisfying the individual and collective needs of society as a whole. The plain truth, well-spoken by Greenspan, is that capitalist ideology can no longer be coherently based on any correspondence between capitalist imperatives and human needs. The only thing it has left is the blunt assertion that there is no alternative but to gear majority living conditions, and social aspirations, simply and solely to the demands of capitalist competitiveness and speculative financial pressures.

From a socialist perspective, on the other hand, this ideological impasse signifies that the competitive, profit-driven accumulation of capital no longer makes any sense as an organizational vehicle for society's material reproduction.

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What is needed instead is a harnessing, and as necessary, conversion of the system's productive structure and the tremendous surplus it is capable of generating, in the direct service of human needs—including the need for an ecologically sound material reproduction, in harmony with the forces of nature. If the financial and competitive pressures of capital stand in the way of such a socio-material reconstruction, then these outworn institutions should be scrapped in favor of collective-democratic control over the production and utilization of the system's surplus product. In this respect, "tinkering with the money supply or other traditional government mechanisms cannot produce what is needed. Rather, meaningful changes can only be achieved by reforms that challenge the ruling class's property and profit interests, with social goals taking precedence over private gain."[8]

NOTES

1. The Fed also influences the amount of cash and coins in circulation. However, such currency holdings comprise only a small portion of the total quantity of money (well less than 10 percent if checking balances, various savings and time deposits, and money market mutual funds are included) and are therefore a relatively minor concern of Fed policy.
2. For further elaboration of these points, see "Money Out of Control," *Monthly Review*, December 1984, reprinted in Harry Magdoff and Paul M. Sweezy, *Stagnation and the Financial Explosion* (New York: Monthly Review Press, 1987), pp.118-29; and Robert Pollin, "Structural Change and Increasing Fragility in the U.S. Financial System," In *The Imperiled Economy, Book I: Macroeconomics from a Left Perspective* (New York: URPE and Monthly Review Press, 1987), pp. 145-58.
3. Eli M. Remolona, "The Recent Growth of Financial Derivative Markets," *Quarterly Review*, Federal Reserve Bank of New York, Winter 1992-92, pp. 28-29.
4. For details see Joyce Kolko, *Restructuring the World Economy* (New York: Pantheon, 1988), Chapter 5.
5. "Lessons on Monetary Policy from the 1980s," *Journal of Economic Perspectives*, Summer 1988, p. 52.
6. John Maynard Keynes, *The General Theory of Employment, Interest, and Money* (New York: Harcourt Brace Jovanovich, 1964), p. 183.

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7. "Thinking Straight About Fiscal Stimulus and Deficit Reduction," *Challenge*, March-April 1993, pp. 15-18.
8. Magdoff and Sweezy, op. cit., p. 129.

Regardless of whether men strive to overthrow domination from without or outworn fedualism within, their determination is to achieve new dignity and status as human beings and to banish the physical poverty that has so long condemned them to misery. They deserve the support of every democratic society, and they would receive the support of this country if it were freed from its preoccupation with defense and the military power struggle.—American Friends Service Committee, *Speak Truth To Power*, 1956.

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WHY SOCIALISM?

by ALBERT EINSTEIN

Is it advisable for one who is not an expert on economic and social issues to express views on the subject of socialism? I believe for a number of reasons that it is.

Let us first consider the question from the point of view of scientific knowledge. It might appear that there are no essential methodological differences between astronomy and economics: scientists in both fields attempt to discover laws of general acceptability for a circumscribed group of phenomena in order to make the interconnection of these phenomena as clearly understandable as possible. But in reality such methodological differences do exist. The discovery of general laws in the field of economics is made difficult by the circumstance that observed economic phenomena are often affected by many factors which are very hard to evaluate separately. In addition, the experience which has accumulated since the beginning of the so-called civilized period of human history has—as is well known—been largely influenced and limited by causes which are by no means exclusively economic in nature. For example, most of the major states of history owed their existence to conquest. The conquering people established themselves, legally and economically, as the privileged class of the conquered country. They seized for themselves a monopoly of the land ownership and appointed a priesthood from among their own ranks. The priests, in control of edu-

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cation, made the class division of society into a permanent institution and created a system of values by which the people were thenceforth, to a large extent unconsciously, guided in their social behavior.

But historic tradition is, so to speak, of yesterday; nowhere have we really overcome what Thorstein Veblen called the "predatory phase" of human development. The observable economic facts belong to that phase and even such laws as we can derive from them are not applicable to other phases. Since the real purpose of socialism is precisely to overcome and advance beyond the predatory phase of human development, economic science in its present state can throw little light on the socialist society of the future.

Second, socialism is directed towards a social-ethical end. Science, however, cannot create ends and, even less, instill them in human beings; science, at most, can supply the means by which to attain certain ends. But the ends themselves are conceived by personalities with lofty ethical ideals and—if these ends are not stillborn, but vital and vigorous—are adopted and carried forward by those many human beings who, half unconsciously, determine the slow evolution of society.

For these reasons, we should be on guard not to overestimate science and scientific methods when it is a question of human problems; and we should not assume that experts are the only ones who have a right to express themselves on questions affecting the organization of society.

Innumerable voices have been asserting for some time now that human society is passing through a crisis, that its stability has been gravely shattered. It is characteristic of such a situation that individuals feel indifferent or even hostile toward the group, small or large, to which they belong. In order to illustrate my meaning, let me record here a personal experience. I recently discussed with an intelligent and well-disposed man the threat of another war, which in my opinion would seriously endanger the existence of mankind, and I remarked that only a supra-natural organization would offer

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protection from that danger. Thereupon my visitor, very calmly and coolly, said to me: "Why are you so deeply opposed to the disappearance of the human race?"

I am sure that as little as a century ago no one would have so lightly made a statement of this kind. It is the statement of a man who has striven in vain to attain an equilibrium within himself and has more or less lost hope of succeeding. It is the expression of a painful solitude and isolation from which so many people are suffering these days. What is the cause? Is there a way out?

It is easy to raise such questions, but difficult to answer them with any degree of assurance. I must try, however, as best I can, although I am very conscious of the fact that our feelings and strivings are often contradictory and obscure and that they cannot be expressed in easy and simple formulas.

Man is, at one and the same time, a solitary being and a social being. As a solitary being, he attempts to protect his own existence and that of those who are closest to him, to satisfy his personal desires, and to develop his innate abilities. As a social being, he seeks to gain the recognition and affection of his fellow human beings, to share in their pleasures, to comfort them in their sorrows, and to improve their conditions of life. Only the existence of these varied, frequently conflicting, strivings accounts for the special character of a man, and their specific combination determines the extent to which an individual can achieve an inner equilibrium and can contribute to the well-being of society. It is quite possible that the relative strength of these two drives is, in the main, fixed by inheritance. But the personality that finally emerges is largely formed by the environment in which a man happens to find himself during his development, by the structure of the society in which he grows up, by the tradition of that society, and by its appraisal of particular types of behavior. The abstract concept "society" means to the individual human being the sum total of his direct and indirect relations to his contemporaries and to all the people of earlier generations. The individual is able to think, feel, strive, and work by himself; but he

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depends so much upon society—in his physical, intellectual, and emotional existence—that it is impossible to think of him, or to understand him, outside the framework of society. It is "society" which provides man with food, clothing, a home, the tools of work, language, the forms of thought, and most of the content of thought; his life is made possible through the labor and the accomplishments of the many millions past and present who are all hidden behind the small word "society."

It is evident, therefore, that the dependence of the individual upon society is a fact of nature which cannot be abolished—just as in the case of ants and bees. However, while the whole life process of ants and bees is fixed down to the smallest detail by rigid, hereditary instincts, the social patterns and interrelationships of human beings are very variable and susceptible to change. Memory, the capacity to make new combinations, the gift of oral communication have made possible developments among human beings which are not dictated by biological necessities. Such developments manifest themselves in traditions, institutions, and organizations; in literature; in scientific and engineering accomplishments; in works of art. This explains how it happens that, in a certain sense, man can influence his life through his own conduct, and that in this process conscious thinking and wanting can play a part.

Man acquires at birth, through heredity, a biological constitution which we must consider fixed and unalterable, including the natural urges which are characteristic of the human species. In addition, during his lifetime, he acquires a cultural constitution which he adopts from society through communication and through many other types of influences. It is this cultural constitution which, with the passage of time, is subject to change and which determines to a very large extent the relationship between the individual and society. Modern anthropology has taught us, through comparative investigation of so-called primitive cultures, that the social behavior of human beings may differ greatly, depending upon prevailing cultural patterns and the types of organization

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which predominate in society. It is on this that those who are striving to improve the lot of man may ground their hopes: human beings are *not* condemned, because of their biological constitution, to annihilate each other or to be at the mercy of a cruel, self-inflicted fate.

If we ask ourselves how the structure of society and the cultural attitude of man should be changed in order to make human life as satisfying as possible, we should constantly be conscious of the fact that there are certain conditions which we are unable to modify. As mentioned before, the biological nature of man is, for all practical purposes, not subject to change. Furthermore, technological and demographic developments of the last few centuries have created conditions which are here to stay. In relatively densely settled populations with the goods which are indispensable to their continued existence, an extreme division of labor and a highly-centralized productive apparatus are absolutely necessary. The time—which, looking back, seems so idyllic—is gone forever when individuals or relatively small groups could be completely self-sufficient. It is only a slight exaggeration to say that mankind constitutes even now a planetary community of production and consumption.

I have now reached the point where I may indicate briefly what to me constitutes the essence of the crisis of our time. It concerns the relationship of the individual to society. The individual has become more conscious than ever of his dependence upon society. But he does not experience this dependence as a positive asset, as an organic tie, as a protective force, but rather as a threat to his natural rights, or even to his economic existence. Moreover, his position in society is such that the egotistical drives of his make-up are constantly being accentuated, while his social drives, which are by nature weaker, progressively deteriorate. All human beings, whatever their position in society, are suffering from this process of deterioration. Unknowingly prisoners of their own egotism, they feel insecure, lonely, and deprived of the naive, simple, and unsophisticated enjoyment of life. Man can find meaning

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in life, short and perilous as it is, only through devoting himself to society.

The economic anarchy of capitalist society as it exists today is, in my opinion, the real source of the evil. We see before us a huge community of producers the members of which are unceasingly striving to deprive each other of the fruits of their collective labor—not by force, but on the whole in faithful compliance with legally established rules. In this respect, it is important to realize that the means of production—that is to say, the entire productive capacity that is needed for producing consumer goods as well as additional capital goods—may legally be, and for the most part are, the private property of individuals.

For the sake of simplicity, in the discussion that follows I shall call "workers" all those who do not share in the ownership of the means of production—although this does not quite correspond to the customary use of the term. The owner of the means of production is in a position to purchase the labor power of the worker. By using the means of production, the worker produces new goods which become the property of the capitalist. The essential point about this process is the relation between what the worker produces and what he is paid, both measured in terms of real value. Insofar as the labor contract is "free," what the worker receives is determined not by the real value of the goods he produces, but by his minimum needs and by the capitalists' requirements for labor power in relation to the number of workers competing for jobs. It is important to understand that even in theory the payment of the worker is not determined by the value of his product.

Private capital tends to become concentrated in few hands, partly because of competition among the capitalists, and partly because technological development and the increasing division of labor encourage the formation of larger units of production at the expense of the smaller ones. The result of these developments is an oligarchy of private capital the enormous power of which cannot be effectively checked

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even by a democratically organized political society. This is true since the members of legislative bodies are selected by political parties, largely financed or otherwise influenced by private capitalists who, for all practical purposes, separate the electorate from the legislature. The consequence is that the representatives of the people do not in fact sufficiently protect the interests of the underprivileged sections of the population. Moreover, under existing conditions, private capitalists inevitably control, directly or indirectly, the main sources of information (press, radio, education). It is thus extremely difficult, and indeed in most cases quite impossible, for the individual citizen to come to objective conclusions and to make intelligent use of his political rights.

The situation prevailing in an economy based on the private ownership of capital is thus characterized by two main principles: first, means of production (capital) are privately owned and the owners dispose of them as they see fit; second, the labor contract is free. Of course, there is no such thing as a *pure* capitalist society in this sense. In particular, it should be noted that the workers, through long and bitter political struggles, have succeeded in securing a somewhat improved form of the "free labor contract" for certain categories of workers. But taken as a whole, the present day economy does not differ much from "pure" capitalism.

Production is carried on for profit, not for use. There is no provision that all those able and willing to work will always be in a position to find employment; an "army of unemployed" almost always exists. The worker is constantly in fear of losing his job. Since unemployed and poorly paid workers do not provide a profitable market, the production of consumers' goods is restricted, and great hardship is the consequence. Technological progress frequently results in more unemployment rather than in an easing of the burden of work for all. The profit motive, in conjunction with competition among capitalists, is responsible for an instability in the accumulation and utilization of capital which leads to increasingly severe depression. Unlimited competition leads to a huge waste of

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labor, and to that crippling of the social consciousness of individuals which I mentioned before.

This crippling of individuals I consider the worst evil of capitalism. Our whole educational system suffers from this evil. An exaggerated competitive attitude is inculcated into the student, who is trained to worship acquisitive success as a preparation for his future career.

I am convinced there is only *one* way to eliminate these grave evils, namely through the establishment of a socialist economy, accompanied by an educational system which would be oriented toward social goals. In such an economy, the means of production are owned by society itself and are utilized in a planned fashion. A planned economy, which adjusts production to the needs of the community, would distribute the work to be done among all those able to work and would guarantee a livelihood to every man, woman, and child. The education of the individual, in addition to promoting his own innate abilities, would attempt to develop in him a sense of responsibility for his fellow men in place of the glorification of power and success in our present society.

Nevertheless, it is necessary to remember that a planned economy is not yet socialism. A planned economy as such may be accompanied by the complete enslavement of the individual. The achievement of socialism requires the solution of some extremely difficult socio-political problems: how is it possible, in view of the far-reaching centralization of political and economic power, to prevent bureaucracy from becoming all-powerful and overweening? How can the rights of the individual be protected and therewith a democratic counterweight to the power of bureaucracy be assured?

Clarity about the aims and problems of socialism is of greatest significance in our age of transition. Since, under present circumstances, free and unhindered discussion of these problems has come under a powerful taboo, I consider the foundation of this magazine to be an important public service.

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The Terrors of the Dark

by W.H. Locke Anderson

Red Hunting in the Promised Land by Joel Kovel. New York: Basic Books, 1994. 331 pp. Index. $25.00 cloth.

This is the kind of book that Joel Kovel was bound to write some day. His training and talents, his background, and his political commitment make him better suited to write about the psychology of anticommunism than anyone else I can think of. And the time is ripe, even overripe, for a book about the relationship between anticommunism as political movement and anticommunism as a social pathology. Not least among its virtues are seventy-two pages of bibliographical and substantive notes covering a central period in modern history.

At the outset he draws a distinction between upper-case *Communism,* the political movement which "took life from the Bolshevik Revolution," and lower-case *communism,* the body of doctrines that developed in opposition to capitalist society long before the Revolution, mainly through the efforts of Marx, Engels, and their followers. Although the distinction is a real one, it is neither so neat nor so helpful as he imagines, and I shall use lower case for both except when I am directly quoting his work. The book is principally focused on *anticommunism,* "the reigning ideology of the West" and the intellectual foundation of the Cold War.

It is perfectly obvious to all concerned that opposition to the political tendencies that grew out of the Russian Revolution had a basis in the self-defensive strategy of the capitalist class, which was striving desperately to protect itself against a threat to its wealth and

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power, indeed to its very existence as a class. Thus anticommunism manifested itself in the early years of the Russian Revolution as Allied intervention in the revolutionary war. And although the intervention was partly related to hopes that it might return Russia to the World War, it was fundamentally anti-Bolshevik, if not exactly pro-monarchist. But the extraordinarily intense anticommunism in the United States during the years following the revolution, the years of the Great Red Scare and the Palmer Raids, was in its instrumental aspects much more than just a reaction to the revolution. As Kovel says:

> Much more was accomplished in 1919 than a strategic defeat of the left. The red scare succeeded because it firmly associated the notion of radical worker insurgency with the abiding American dread of the alien. Thereafter, the name of Communism was to be inserted in two chains of signification, linking each to the other. The Communist became anyone who challenged the order of things in a progressive direction, and at the same time, the archaic blood villain of Western civilization—the Jew who killed Christ, the Black Hamitic son of Noah, the howling savage beyond the gates—reminding 100 percent Americans of the terrors of the dark. Ordinary citizens, the working people whom the radicals wanted to emancipate, had learned that they could avoid estrangement through anticommunism. For to hate and fear Communism was the sure way of proving one's American identity. (p. 22)

Early in the book he adduces what he calls "the black hole effect" of anticommunism. "Viewed against this diabolical force, all moral and rational comparisons disappear, like light sucked in by the virtually infinite gravity of a cosmological black hole. And so I shall call this peculiar property of anticommunism, which causes all distinctions to be melted in the heat of its ideological furnace, the *black hole effect.*" (p. 9) This is a masterstroke of metaphor.

As an instance of the black hole effect at work, Kovel cites the case of Johnetta Cole, a distinguished anthropologist and President of Spelman College in Atlanta, trustee of the Rockefeller Foundation, member of the board of Coca-Cola Enterprises, and so forth. She was a leading candidate for a cabinet post in the Clinton Administration. But she held views critical of Israel and supportive of the Palestinians. When a Jewish weekly discovered this, it relayed the information to A.M. Rosenthal of the *New York Times,* along with the information that she had been a member of the Venceremos Brigades, had criticized the Grenada invasion in 1983, and had been a featured speaker at a tribute for Herbert Aptheker. Rosenthal attacked her in the *Times,* and the exposure of her associations with

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the left, in and of themselves, were enough to put an end to any possibility of a cabinet appointment.

The core of the book is a series of chapters devoted to major anticommunists. The names that appear in the chapter titles are mostly familiar: Father Coughlin, George Kennan, John Foster Dulles, J. Edgar Hoover, Joe McCarthy, Hubert Humphrey, Walter Reuther, Arthur Koestler, and James Jesus Angleton. Only the last may not be immediately recognized, although the February 24, 1994, *New York Times* mentions his obsessive security concerns with approbation on its editorial page. He was a counterspy. "Because his province was the shadowy Other who burrowed inside the CIA itself, Angleton became the true spook, keeper of the secrets, spier on the spies, mastermind of and eventually scourge to the CIA itself." (Kovel, p. 103) I shall return to him below.

Father Charles Coughlin was a Catholic priest from Detroit who, during the 1930s, had a Sunday-afternoon radio program with an immense audience. As the decade wore on he became an admirer of Hitler, an antisemite, and an anticommunist. At the same time he railed against Jewish finance capital. As Kovel points out, communism and capitalism are the twin faces of modernity, and in the 1930s the modern era must have struck a wide spectrum of the American populace as a disaster, no matter what form its political and economic institutions might take. I might add that the emancipation of the Jews is another face of modernity, and that both communism and finance capital are associated with Judaism in the demonology of the anti-Semite. Eventually Coughlin became such an embarrassment to the Roman Catholic church that he was exiled from the airwaves and sentenced to serve out his years as a parish priest.

The second denizen of Kovel's bestiary was much more admirable. For all his dogged opposition to communism as a world political movement, George Kennan has generally, and correctly I think, been regarded by posterity as a person of parts, a classic conservative in a meanly reactionary world. His anticommunism was rooted in a sense that the members of humankind are *not* created equal, and that ideological systems founded on a belief in essential human equality rest on pillars of sand. He is quoted in a chapter epigraph as saying, with remarkable candor,

> I . . . am anything but an egalitarian. I am very much opposed to egalitarian tendencies of all sorts in governmental life and in other walks of life. Sometimes I've been accused of being an elitist. Of course I am. What do people expect?

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But Kennan was a complex person. He authored the famous article in *Foreign Affairs* in 1947 which laid out the "containment" doctrine, but he was a subtle thinker who would not think of stooping to "the hysterical sort of anticommunism," as he called it. He was, however, unashamedly committed to the maintenance of the existing economic inequalities among nations, and candidly recognized that the preservation of inequality would require the consistent exercise of power politics.

The temperament of John Foster Dulles, Eisenhower's Secretary of State and Kovel's third anticommunist, did not admit of subtle distinctions. To Dulles the Soviet Union was the Evil One, pure and simple. It must be held at bay at all costs. His diplomatic weapon of choice was the threat of "massive retaliation," and Kovel calls him a "Horseman of the Apocalypse." He was "apallingly serious" when he announced that the United States was willing to use nuclear weapons to protect two tiny islands in the Formosa Straits, Quemoy and Matsu, against invasion from mainland China. Eisenhower was a "notorious tightwad," and apparently regarded the bomb as a "godsend," for it promised quick resolution of diplomatic confrontations without the commitment of ground troops.

According to Kovel's assessment, ". . . if one had to pick the most important figure in the history of anticommunism, it would have to be [J. Edgar] Hoover:" (p. 87) Hoover was remarkably popular, and when he died his body was put on view in the rotunda of the Capitol. The chapter on this bizarre and yet remarkable figure is the high point of *Red Hunting in the Promised Land,* in my judgment.

> A society experiencing loss of control over its transgressiveness will demand not only police but police ideologues, who call for the draconian punishment of transgressors. Hoover was the *nonpareil* candidate for the position, and no one has come close to him in filling the role of supercop. He went after the racketeers. He went after the Prohibition gangsters; he went after the "white slavers" who violated the Mann Act prohibiting interstate traffic in prostitution; and most of all, he went after the Communists, or what he took to be Communists. And through it all he never ceased using his station as a bully pulpit. . . . (p. 91)

His obsession with communism, which he could not seem to distinguish from fascism, began when Roosevelt asked him in August 1936 to investigate domestic communism and fascism. In a speech before the American Legion he announced that, "Fascism has always grown in the slimy wastes of Communism. Our democratic institutions cannot exist half American and half alien in spirit." (p. 93) It is hard

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to make anything out of such a statement other than that Hoover suffered from profound ideological confusions. Yet he never seemed to allow them to stand in his way.

Hoover also had bizarre obsessive-compulsive traits, and a secret life which included a long sexual relationship with the number-two man in the Bureau, Clyde Tolson. This, and Hoover's compulsive gambling, were known to organized crime and made him an easy target for blackmail.

Since anyone who has read this far must have a fairly good notion of the nature of Kovel's book, I shall skip over his discussions of McCarthy, Humphrey, Reuther, and Koestler. But Angleton is too good a character to miss. The *New York Times* claims (Feb. 24, 1994, twenty years after Angleton was forced out of the CIA), that "Mr. Angleton was so suspicious of Soviet trickery that he even dismissed as a charade Moscow's break with the Chinese Communists."

James Jesus Angleton, class of 1941 at Yale, served in the Office of Strategic Services (OSS) in the Second World War, and rose to high office in its successor institution—the CIA—where he attained the position of head of counterintelligence. In this capacity, he engaged in two major campaigns of surveillance against American citizens: one involved opening mail between the United States and the Soviet Union and the other spying on antiwar groups during the Vietnam War. Both, of course, were illegal. In the course of his work, he let himself be taken in by Kim Philby, a Soviet agent highly placed in the British "intelligence community" who managed to deceive his Western counterparts for fifteen years. He and Philby became close friends and Philby gleaned a good bit of information from him. When Philby was exposed, Angleton was humiliated and outraged. He then was convinced by a KGB defector, Golytsin, that there was a mole burrowing inside the CIA itself. In reaction, Angleton began to dig for moles in his own back yard, with very destructive consequences for the agency. Kovel suggests that Golytsin may have been a loyal KGB agent all along, and that his "defection" was a ruse to sow discord inside the U.S. intelligence apparatus and make a fool of Angleton.

> Angleton was devastated by the betrayal of what he had taken to be a friendship between equals in the hunting of Communists. It hardened his heart and increased to pathological proportions an already suspicious streak in his character. Now his anticommunism became augmented by the malice from narcissistic injury, a wound whose personal pain would find more than sufficient channel in the normal discourse of the Company. If Philby—friend, older brother, a British gentleman—had betrayed, then who else? There must be someone else at home guilty of the same crime.

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Theory predicted this, and mortification certified the hypothesis with unbounded hatred. Angleton became obsessed with the idea that the Soviets had planted another Philby in the CIA itself. He fell into that trap of reason in which persons could be doubled. One never knew whether a man could be other than what he seemed, a hidden spy. It was anticommunism; it was Melville's confidence man; it was Iago, not being what he is; it was the *zeitgeist* of the inquisition, Communists in the Girl Scouts and the YMCA. (pp. 175-176)

Red Hunting in the Promised Land is as concerned with the promised land as it is with the red hunting, for the peculiar paranoia that the hunt expressed grew out of particular historical circumstances in a particular place. The Americas were, of course, occupied when the European settlers arrived, and the history of the western hemisphere for much of the past 500 years has been a process of European assaults on the indigenous peoples and their attempts to defend themselves. The uprising and repression in Chiapas are just the most recent episodes in this 502-year conflict. All of these assaults on the native inhabitants of the Americas have involved vilification of the dark-skinned "other."

The penultimate chapter of *Red Hunting* draws an analogy between the Cold War—particularly Vietnam and the related POW/MIA issue—and the suppression of the native Americans, the "objects of the original red scare." (p. 201) The intent is apparently to show that anticommunism is an extension of the perverse logic by means of which the European invaders of the Americas transformed their victims into villains. In effect he argues that the peculiar intensity of the POW/MIA issue stemmed from parallels that inflamed a "mythic nerve," as he puts it:

- the alleged missing are in the hands of the Communists;
- these Communists have nonwhite skin, being Asians and formerly of the "coolie" class, that is, subhuman savages, or "gooks";
- the "savages" defeated America. For the first time since the battle of Little Bighorn in 1876, the U.S. military was decisively beaten by warriors of color. (p. 202)

This argument is more or less convincing as analogy, but it is given too much weight in Kovel's expositional strategy. It almost seems to be saying that America's obsessional anticommunism derived from a mass confusion in the national psyche. Joel Kovel knows better, of course, and in the final chapter he lists nine quite concrete factors that contributed to the United States' being sucked into the black hole of anticommunism. And as I read the list, I have little trouble agreeing that the bipolar world order, the presence of antilabor elites, the historical anomalies of the New Deal, the growth

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of the national security state, the potency of the police apparatuses, the puritanism of the upper political and corporate leadership, the menace of nuclear weapons, the sophistication of the cultural and propaganda industries, and the breakdown of patriarchal and religious control led more or less directly to the ascendancy of the right, and that a kind of paranoia in post-Second World War America projected the anticommunist menace.

Yet in my theoretical understanding of how society works, all of these factors belong to a realm that is deemed to be superstructural. This realm rests on a basis of property relationships to which communism is the antithesis, a basis that I call capitalist.

America is anticommunist because it is capitalist, damn it. In the years after the Second World War the U.S. capitalist class skillfully played the anticommunist card dealt to it by its military confrontations with the Soviet Union, China, North Korea, and Vietnam. It thereby isolated and crushed its domestic left, tarring it with a red brush, and it did much the same to the militant trade union leadership. What it could not achieve by direct attack on the unions, it achieved by attrition, as the newly ascendant finance capital permitted the "arsenal of democracy" to rust away and industrial employment to decline toward the vanishing point. *Red Hunting* would be a better book if its claims were more consistently argued in the terms of historical materialism.

The final nihilism is not the desire to subordinate everything to a given end but the desire to sacrifice one's self without having an end to believe in.—E. H. Carr, in *New York Times Book Review*, March 24, 1951

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BIRTHDAY SONG

by E.Y. HARBURG (1897-1981)

Sung to the tune of the "The Streets of Laredo"
This song was originally written for MR's fifteenth anniversary. Yip Harburg revised and augmented it for the thirtieth anniversary. This month marks MR's forty-sixth birthday.—the Editors

When I was a lad
I wrote amorous ditties,
To Judy, Aleine, Edlina, and Sue,
But now that I'm gray
I've abandoned those pretties,
I'm singing my songs to the *Monthly Review.*

For as you grow older
You sometimes grow wiser
If brain cells are plenty
And hormones are few
Why torture yourself with Elaine or Eliza
You're safer by far with the *Monthly Review.*
That most intellectual
Slightly Subsexual
Marx will protect you all *Monthly Review.*

For fifteen long years
I've perused and pursued her,
I've waited whole months
For sight of her, too
Whatever her mood
I still wooed and renewed her
That beautiful, sensible *Monthly Review.*

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II

I followed her madly
From Vietnam to China
To Cuba, to Ghana, New Guinea, Peru,
I may have been faithless
To my Edlina,
But not to that siren, the *Monthly Review.*
That wise and effectively
Spoken objectively
Let's love collectively *Monthly Review.*

Her light is the light
In the eyes of all lovers,
Her voice is the sound
Of a morning that's new
I take her to bed
And I find between covers
The comforting lines of my *Monthly Review.*

Her format is lovely,
Her layout historic
Her foresight and hindsight
Are beautiful too,
Forgive me for being
So meta-euphoric
I swoon for my beautiful *Monthly Review.*
That wholly reliable
Vibrant and viable
Tho F.B.I-able *Monthly Review.*

III

So here's to the goal
Of her bold aspirations,
And may the great day
Of her dream soon come true,
A lot more subscriptions
A few more donations
Will speed the good health of the *Monthly Review.*

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Oh bright be her journey,
Her long road made easy,
And strong be the hearts
Of her staff and her crew,
And blessed be her pilots
Brave Magdoff and Sweezy
And all the fine friends of the *Monthly Review.*

IV

And let us remember the Sybils, the Hubys,
The Harrys and others who brighten this night,
We honor their courage, rejoice in their humor
We sing in their spirit
We walk in their light.
With their anti-insanity
Free from all vanity
Friend of humanity *Monthly Review.*

You do not need the capitalist. He could not exist an instant without you. You would just begin to live without him. You do everything and he has everything; and some of you imagine that if it were not for him you would have no work. As a matter of fact, he does not employ you at all; you employ him to take from you what you produce, and he faithfully sticks to his task. If you can stand it, he can; and if you don't change this relation, I am sure he won't.—Eugene V. Debs

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NEW FROM MONTHLY REVIEW PRESS

SOCIAL STRUGGLES AND THE CITY THE CASE OF SAO PAULO

EDITED BY LUCIO KOWARICK
Introduction by William W. Goldsmith

At a time when urban metropolitan areas are growing rapidly throughout the third world, **Social Struggles and the City** provides valuable insights into the dynamics of social and economic change in a large urban metropolis and shows the potentialities and limits of organized participatory action by the urban poor. The contributors are academics who also have first-hand knowledge of these struggles as organizers, party militants, and advisors to unions, neighborhoods, and the socialist city government.

Lúcio Kowarick is chair of the political science department of the University of São Paulo and was formerly the director of the Center for the Contemporary Culture.

William W. Goldsmith is director of the Program in International Studies in Planning at Cornell University and has written extensively on third world urbanization.

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(Continued from inside front cover.)
telling how much further this process may go. By the time this is in print, you should have a better idea.

Suppose it gets much worse, which is certainly possible. Would that be "it?" Not very likely. The danger is always there that in a complicated interrelated debt structure, unravelling once started can get out of hand with disastrous consequences. That's what happened in 1929-1933. But it hasn't happened since, for the simple reason that the ruling class learned the lesson of that experience, i.e., that it is necessary to intervene early and decisively once the process starts. That's what happened after the October 1987 crash which of course was much bigger than the present one, at least so far (April 3). The intervention begins with the Fed promising to flood the economy with cash, and may involve government assumption of up to hundreds of billions of dollars of private debts, as in the case of the Savings and Loan debacle. The one really solid economic achievement of the U.S. ruling class in the last half century seems to have been the slaying of the "it" dragon.

We record with sorrow the death at age ninety-two of on March 3 in Sandpoint, Idaho, of Becky Veblen Meyers, the adopted daughter and only child of Thorstein Veblen, whom we and many others consider to have been the greatest social scientist the United States has produced. Veblen finished his academic career teaching at Stanford in the late 1920s. At the time of her death Becky was living with her daughter Esther and son-in-law Nicholas Baran, the only son of Paul Baran, Stanford's other famous radical economist and one of MR Press's best-selling authors (*The Political Economy of Growth*, 1957).

We also mourn the death of an old friend of MR, Edward Huberman, younger brother of MR co-founder Leo Huberman. A Harvard graduate in the class of 1929 and PhD from Duke in 1934, Ed went on to a distinguished career teaching English Literature at Rutgers and Adelphi. He died from lymphoma at his home in Maplewood, New Jersey, on February 4.

We acknowledge with gratitude a bequest of $10,000 to MR in memory of Leo and Gertrude Huberman from their (and our) old friend Norval Welch, who died two years ago.

Another much appreciated gift to MR comes from the estate of Morton Stavis, one of the great civil liberties and rights lawyers of our time. In transmitting the gift, his son and co-executor, George, writes, "*Monthly Review* was important to Morty both as a journal of political and social thought, as well as the intellectual home of many of his colleagues and friends. As Morty made his commitments clear in his life, he wanted to evidence those commitments afterward, as well."

We have been asked to inform MR readers that the Bay Area Friends of *Monthly Review*, an eight-year-old Berkeley (California)-based discussion group, meets bi-monthly and would welcome new participants. Anyone interested should call 510-525-9450.

This summer there will be an eight-day intensive seminar at The Marxist School in New York, focusing on the basics of Marxism. The classes will be meeting from July 10-17, daily, 6:30-9:30pm. Participating teachers include Harry Magdoff, Annette Rubinstein, and others. For more information call 212-242-4201.

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A Short Economic History of the Environment

by JOHN BELLAMY FOSTER

In this clearly written and accessible discussion of the issues, John Foster provides a short history of the global ecological crisis, tracing it to the inherently destructive nature of our world economic system.

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